



ACOSS Submission | October 2009

**Australian
Council of
Social Service**

**Submission to 'Better Dealings with Government:
Innovation in Payments and Information Services
Discussion Paper for Industry Consultation**

October 2009

Introduction: Respecting the dignity and autonomy of income support recipients

The stated aim of the discussion paper, *Innovation in Payments and Information Services*, is to 'promote collaboration with industry on the delivery of government payments and the collection and sharing of information needed to deliver these payments.' The paper is directed primarily to commercial organisations involved in payment delivery services. However, it is part of 'broader service delivery reform' and is intended to 'help shape the Government's vision for payment and information systems and services over the next five to ten years.' It is in the context of this broader reform that ACOSS has prepared this submission to the consultation.

Some of the reform directions flagged in this discussion paper raise serious concerns for ACOSS as the national peak body for the community and welfare sector and advocates for the needs of low income and disadvantaged Australians.

The proposed changes to the delivery of payments could have very significant consequences for low income and disadvantaged Australians in receipt of government payments. In particular, changes which reduce the autonomy of recipients, threaten privacy and increase monitoring of expenditure patterns raise serious rights and equity issues.

Key issues

While ACOSS supports changes to make the delivery of the payments system more efficient and less complex for payment recipients, efficiencies must not come at the cost of respecting the privacy and autonomy of payment recipients.

Potential benefits to payment recipients

ACOSS would welcome changes to the payments system to reduce its complexity and improve administrative efficiency.

Providing privacy, autonomy and equitable treatment of income support recipients was assured, ACOSS would support initiatives to:

- Simplify the administration of payments;
- Reduce the burden on payment recipients and facilitate information exchange where recipient privacy is assured;
- Better integrate payment systems to minimise transactions;
- Reduce the need for recipients to attend a Centrelink office for routine form submission, while still providing this option for recipients without internet access or who prefer face-to-face service;
- Increase access to financial advice and budgeting tools;
- Increase and facilitate access to voluntary income management options, like Centrepay, where this is appropriate and financial literacy training is available; and
- Make the payments system more flexible and responsive in emergency situations;

In designing these changes, it is imperative that face-to-face service delivery options remain available, along with telephone support and advice in recognition of the socio-demographic profile of the income support recipient population. Income support recipients experience

higher levels of disadvantage and, in general, have lower levels of educational attainment, literacy and numeracy than other segments of the population. Due to income constraints, payment recipients are also less likely to have access to computers and online services.

The autonomy of payment recipients

The discussion paper identifies as an 'ongoing challenge' ensuring that 'payments are used for the intended purpose'. It describes a changed social welfare policy landscape which seeks to better align payments with policy goals.¹ The Paper states:

'There is a general trend away from unrestricted payments towards payments which are in some way targeted or conditioned – for example by the eligibility of the recipient, the range of purposes for which the payment can be used, or the time the payment can be claimed.'²

The US Supplemental Nutrition Assistance Program (or 'food stamps') is cited as an example of a targeted or conditional payment. It is a tied-use payment delivered through an Electronic Benefit Transfer system, which limits the types of items purchased at point of sale. However, the US food stamp program does not provide evidence of a broader international trend. The US is alone among wealthy countries in offering food vouchers rather than cash assistance to low income households. Most countries with conditional or tied welfare payments have developing economies, with vouchers or conditional payments designed to achieve a range of objectives, including encouraging domestic-scale farming, increasing immunisation rates and providing incentives for parents to send children to school, by compensating for the loss of potential earnings of the child in the workforce. Further, while a number of other countries have trialed incentive and/or sanctions schemes (for example to improve school attendance or immunisation rates), the Australian income management models are quite distinct.³ ACOSS would be very concerned to see a general shift towards a tied payment system which reduces financial autonomy and stigmatises payment recipients.

While eligibility criteria have long determined access to payments, the real shift in Australian Government income support policy has been around controlling the uses to which payments can be put, as in the NTER, the child protection income management trial and the Cape York Family Responsibilities Commission. The Discussion Paper states that, 'Conditional payments are a way of targeting priority needs and better managing the way recipients spend their payments.'⁴ The Government flags its intention to seek to more directly link payments and benefits to achieving policy outcomes, in a shift away from unrestricted payments.

A 'tied to purpose' approach to the provision and administration of income support would represent a dramatic change to the current system and would give rise to some very complex conceptual and ethical issues. In the first instance, defining the purpose for which

¹ Australian Government, Department of Human Services, *Better Dealings with Government: Innovation in Payments and Information Services*, Discussion Paper for Industry Consultation ('Discussion Paper'), September 2009 at 6.

² Discussion Paper at 6.

³ For an overview of overseas experience, see ACOSS *Schooling Requirements Bill* submission at http://www.acoss.org.au/upload/publications/submissions/5198_ACOSS%20Submission%20on%20Schooling%20Requirements%20Bill.pdf.

⁴ Discussion Paper at 6.

a payment is provided is complex and problematic. While the purpose of family payments may be relatively clear – to meet the costs of children – the purpose of other payments is far less specific or amenable to definition. An attempt to define 'purpose' and then restrict spending to accord with this purpose would represent an unprecedented erosion of the right to social security and individual autonomy over spending. It would also involve the imposition of a designated 'lifestyle' on all social security recipients, regardless of the diverse needs, aspirations and preferences of recipients. Finally, reducing budgetary flexibility could in fact deepen social exclusion by precluding people from managing emergency expenses through cuts to other areas of expenditure in a particular fortnight.

The inadequacy of payments is the major financial challenge facing income support recipients, not an inability to budget. Based on 2006 figures, 41% of those whose main source of income is social security live below a poverty line set at 50% of median income.⁵ This figure reaches 70% based on a poverty line set at 60% of median income. Many social security payments are below the poverty line. Deprivation and hardship research shows us that income support recipients frequently go without basic essentials because they cannot afford them.⁶ Particular groups are at high risk of experiencing multiple deprivation, forced to go without more than three items regarded as essential by the community.⁷ While the average level of multiple deprivation across the community was 19%, Indigenous Australians (65%), unemployed Australians (54%) and sole parents (49%) all experience much higher rates of deprivation.⁸

The implication created by conditional welfare reforms that income support recipients, as a group, are unable or unwilling to budget is both inaccurate and offensive. Most households on income support manage their very limited finances responsibly. For these families, there is little budgetary discretion to be exercised as almost all household income is absorbed by basic costs – rent, food, utilities. The main choices to be made by income support recipients relate to the prioritisation of basic needs; which basic needs must be foregone in order to meet other basic needs. While some income support recipients do experience difficulty managing their finances and caring for their children due to a range of complex health and other issues, this group represents a minority of recipients. Further, budgeting and parenting issues are not limited to income support recipients but extend far more broadly. These complex issues should be addressed in ways which do not discriminate against income support recipients.

The paper seeks Industry input on how it could assist Government deliver payment deduction services, like Centrepay, to customers. The paper asks, 'in particular, how could such a service be designed to make it more widely available to all Australians and be delivered by private sector organisations and not just government?'⁹ ACOSS supports the availability of voluntary income management schemes, like Centrepay, as useful budgeting tools which may be appropriate for some income support recipients. We note the Government's interest in making this service available to 'all Australians' and delivered by Government and private sector organisations. We would be pleased to see such schemes

⁵ ACOSS, *Who is missing out? Hardship among low-income Australians*, ACOSS Info Paper, 8 December 2008 at 6.

⁶ *Who is missing out?* at 2.

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Consultation question 10(a) and (b) on page 3.

made available more broadly than they are at present. Their availability to all Australians, not only those on income support, could have real benefits for low income working households (not in receipt of income support) struggling to manage tight budgets. It would also send a signal that budgeting is not only a challenge for income support recipients, but for many Australians, and would challenge the stigma that income management has cast on income support recipients as unable (or unwilling) to responsibly manage their finances and care for their children. This has been a very damaging effect of the current compulsory income management policies.

However, though welcoming the expanded *availability* of Centrepay models to all Australians, ACOSS would oppose the imposition of *compulsory* income management to all income support recipients. We take issue with the implication that income support recipients are unable to budget and we continue to hold strong reservations about the appropriateness and effectiveness of compulsory income management to address the complex issues associated with child abuse and neglect, education attendance and enrolment, domestic violence and alcohol and drug problems.

The paper includes a section on Income Management in which it seeks Industry views on:

12. (a) How readily can product compliance in line with government policy be achieved at the point of sale?
(b) Are there any privacy issues concerns with product compliance at point of sale and, if so, how can these be addressed?
13. What additional services could be provided to enhance product compliance at the point of sale? For example, what intelligence could be gained from capture and analysis of the transaction data?

Income management represents an unprecedented regulation of personal behaviour in relation to a person's entitlement to income support. Given the weak evidence base for the effectiveness of income management to achieve child protection and education objectives, this regulation of personal behaviour is not justified. Research suggests that income management, in the form being trialled in Australia, is unprecedented in other developed countries. Overseas and domestic experiences do, however, offer some cautionary lessons on the effectiveness of linking income management with school enrolment and attendance. For further discussion of the issues surrounding income management approaches, see the ACOSS 'Response to *Australia's Children Safe and Well: A National Framework for Protecting Australia's Children*' and the ACOSS Submission to the NTER Review.¹⁰

The Discussion Paper indicates a Government interest in the introduction of an electronic barcode compliance system which would remove the role of retailers in enforcing requirements around excluded goods, with attendant problems of administrative burden and compliance challenges. The system would enforce a list of proscribed goods and services, with merchants able to download the data to point of sale systems. At a general level, ACOSS opposes the controls and monitoring of spending by income support recipients. While the introduction of electronic product compliance measures would relieve the burden on retailers (who should not be required to enforce Government spending controls over income support recipients) the use of barcode technology to achieve product compliance

¹⁰ Both submissions are available on the ACOSS website, www.acoss.org.au.

would be highly problematic. Such a system would create potential for broad controls over income support recipient spending, for example, enabling Governments to control diet and lifestyle through proscriptions on certain foods and activities.

The Government also seeks to maximise the opportunity for data collection through barcode compliance systems. Current spending patterns by income managed residents of the Northern Territory have been measured through surveys of store owners on a qualitative rather than quantitative basis. ACOSS, among others, has highlighted the limitations of this data in providing evidence of the impact of income management on purchasing patterns and child and family health and wellbeing.¹¹ While conditional payment systems, with barcode detection and databases would offer a more rigorous evidence base by which to measure the effectiveness of Government policy, this kind of monitoring raises serious privacy issues and would represent an unprecedented level of monitoring and surveillance of income support recipients and prescribe lifestyle and spending patterns. ACOSS would therefore oppose the use of such mechanisms.

The privacy of payment recipients

The Discussion Paper seeks industry views on whether information derived from existing private sector customer relationships could be used by Government. The discussion paper notes that current arrangements for income reporting are largely manual which places a burden on all parties and raises the risk of error. The paper seeks input on:

- The development of new capabilities to eliminate manual or paper processes. In doing so, it asks how Government can ensure equitable access to payment and information services for those without ready access to the internet.
- The role that Industry could play in information collection and sharing. In particular, it asks how Industry could play the role of data exchange broker, facilitating the exchange of data to meet mandatory reporting obligations, like reporting of an employee's income and how quickly this could be achieved.¹²
- The ways that an employer could automatically notify multiple agencies when an employee is terminated or voluntarily leaves their employment.¹³
- The ability of Industry to develop systems for the automatic reporting of earnings by employers to government and for the notification of life events to multiple agencies, while complying with privacy requirements.¹⁴

The exchange of information between employers and financial services and Centrelink already occurs in relation to some transfers, for example, child support payments, and has become more automated in recent years. Centrelink also makes a range of requests to employers to verify wages and employment information, which is currently provided manually. At present though, Centrelink only asks employers for earnings information if attempts to resolve any identified or suspected discrepancies with the customer fail. A move towards employers providing information initially, rather than as verification in the event of discrepancy, would therefore represent a significant policy change.

¹¹ See ACOSS submission to the NTER Review Board.

¹² Consultation questions 14-15.

¹³ Consultation question 19.

¹⁴ Consultation question 21 and 24.

The Discussion Paper asks Industry what options it could offer to 'help improve access for the Australian public to government payments at point of sale and 'where payment is dependent on the customer's circumstances, what mechanisms and approaches could be used to establish eligibility for the payment at point of sale?'¹⁵ The point of sale issues give rise to some serious privacy implications. Consultation question 7(b) asks:

Where payment is dependent on the customer's circumstances, what mechanisms and approaches could be used to establish eligibility for the payment at point of sale?

This implies that identity checking would be conducted at point of sale to confirm eligibility for particular payments, for example. The NTER experience has revealed that many Indigenous income support recipients have experienced shame and humiliation at point of sale when their method of purchase (through store cards, vouchers or the Basics Card) indicates that they are income support recipients. This has been compounded by the problems around accessing the Basics Card balance, leading to delays and embarrassment as people discover that they do not have adequate funds to purchase the goods they have selected. ACOSS is concerned that point of sale identity and eligibility checks may stigmatise and embarrass income support recipients.

Conclusion

While ACOSS would support changes to the delivery of income support payments to reduce the complexity and administrative burden on recipients, we are concerned by proposals to increase controls over spending patterns. The reform directions proposed in the paper, designed to tie payments to 'purpose' and control use, raise some very serious policy, legal and ethical issues. Not least of these issues is the definition of the purpose of particular payments and the development of corresponding conditions on spending. ACOSS opposes the linking of payments with defined purposes. We also object to the underlying implication that income support recipients are either unable or unwilling to manage their finances and meet the needs of dependants. The major financial challenge faced by income support recipients is the inadequacy of payments, not a lack of budgeting skills or motivation. ACOSS opposes those proposals outlined in the Discussion Paper which would undermine the autonomy and privacy of income support recipients.

¹⁵ Consultation question 7(a) and (b) on page 3.